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WASHINGTON, D.C. 20541

In the Matter of )

Implementation of Section 17 of the )  
Cable Television Consumer Protection )  
and Competition Act of 1992 )

ET Docket No. 93-7

Compatibility Between Cable Systems )  
and Consumer Electronics Equipment )  
\_\_\_\_\_ )

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**STATEMENT OF THE  
CONSUMER ELECTRONICS RETAILERS COALITION  
ON DECODER INTERFACE ISSUES**

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**STATEMENT OF THE  
CONSUMER ELECTRONICS RETAILERS COALITION  
ON DECODER INTERFACE ISSUES**

The Consumer Electronics Retailers Coalition ("Retailer Coalition") welcomes, as pro-competitive and pro-consumer, the positions taken by the Consumer Electronics Group of the Electronic Industries Association ("EIA/CEG") in its ex parte filing of February 3. This filing is substantially in accord with the positions taken by the Retailer Coalition in its filings of February 16, July 28 and August 10, 1994, with respect to the First Report and Order.<sup>1/</sup>

The Coalition includes Best Buy, Circuit City, Dayton Hudson, Montgomery Ward, Sears, Tandy, the International Mass Retailers Association, the National Association of Retail Dealers of America, and the National Retail Federation. The Federation alone includes 31 national and 50 state associations. Retailers employ one in five American workers.

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<sup>1/</sup>In the Matter of Compatibility Between Cable Systems and Consumer Electronics Equipment, First Report and Order, ET Docket No. 93-7, FCC 94-80, 9 FCC Rcd 1981 (1994).

The Retailer Coalition believes it is absolutely critical, in this proceeding, for the Commission to require and document a standard interface for a Decoder Interface Authorization Module, designed to do no more than accommodate the descrambling of cable signals. We agree with EIA/CEG that cable operators should be required to furnish such modules for use with both the set-back Decoder Interface, as described by EIA/CEG, and as a component of all set-top boxes furnished to subscribers after the "cable ready" provisions of the Report and Order take effect. Only in so doing would the Commission honor the clear text of the Cable Act<sup>2/</sup> and its own expressed positions in ¶¶ 42 and 29 of the First Report and Order<sup>3/</sup>.

The Retailer Coalition strongly opposes the position of cable industry representatives, taken, for example, in the ex parte filing by General Instrument on Jan. 12, in support of an IR "pass through" or bypass. First, the Coalition agrees completely with the technical objections interposed by EIA/CEG. Our members would bear much of the burden of dealing

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<sup>2/</sup>Section 624A(c)(2)(C) of the Communications Act now provides that the Commission's regulations must "promote the commercial availability, from cable operators and retail vendors that are not affiliated with cable systems, of converter boxes ..."

<sup>3/</sup>In par. 42 the Commission required separation of access control functions from other features, so as to allow, at least, non-access features to be offered by sellers other than system operators. With respect to set-top converter boxes, the Commission said in par. 29 that it supports a similar separation of functions.

with consumer complaints caused by the inherent instability of the bypass approach. Second, the Coalition believes that the rationale and positions expressed in support of the IR bypass confirm our concerns, expressed in the July 28 and August 10 filings, over attempts to persuade the Commission to avoid or nullify the retail competition provisions of Section 624A(c)(2)(C) of the Communications Act.

I. THE RETAILER COALITION SUPPORTS A DESCRAMBLING-ONLY INTERFACE, PARTICULARLY AS APPLIED TO NEW SET-TOP BOXES.

It is long past time that the modern, multi-feature set-top box take its rightful place on our shelves as a competitive consumer electronics product, for sale or rent at retail. The only obstacle has been the cable industry's legitimate concern, alluded to in ¶ 29 of the First Report and Order, over security of signal and authorization codes. This problem is solved by the creation, pursuant to ¶ 42, of authorization modules designed for the Decoder Interface. As we read ¶ 42, the availability of such modules would be required under any implementation of a decoder interface. Under the version proposed by EIA/CEG in its February 3 filing, which we strongly support, it would be the only set-back hardware device required by the interface.

The same Authorization Module that is part of the proposed Decoder Interface can, and should, just as easily be a component of new set-top boxes once the "cable ready" rules take effect. As we have asked previously, why should set-top cable boxes not be cable ready? To liberate a potentially

huge market, one competitive at retail as required by the Act, all the Commission need do is require, as EIA/CEG proposes, that the Authorization Module and its interface be a part of any set-top box offered after the effective date. Cable operators need not be precluded from offering the rest of the box on a non-bundled basis. They would, and should, however, face competition from competing boxes into which the Authorization Module can be plugged.

Like EIA/CEG, we recognize that non-standardization has created additional incompatibilities from system to system, so competitive boxes initially may need to be customized according to franchise. We acknowledged and addressed this challenge in our February 16, 1994 filing.<sup>4/</sup> Overcoming obstacles is what the competitive marketplace is all about.

As consumer electronics retailers, we believe strongly in the value and future of competitively marketed products that combine several functions, as do modern TVs and TV/VCRs. We believe that the set-back implementation of the current EIA/CEG proposal also preserves manufacturers' ability to offer audiovisual products that are cable compatible and offer the new features that consumers want.

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<sup>4/</sup>At p. 11, we said: "While several standards are much less desirable than one, Coalition members have considerable experience in offering VHS and 8mm, 3.5" and 5.25" floppy diskettes, "PCs" and "Mac's," etcetera. **Selling to a few standards is far better than being shut out of the market entirely**, leaving the consumer no choice of features, quality, or price at retail. (emphasis in original, footnote omitted)

## II. THE IR-BYPASS IS BAD ENGINEERING ADVOCATED IN AID OF BAD POLICY.

The Retailer Coalition strongly supports the engineering-based objections of the EIA/CEG to the IR bypass proposal. As a system, the IR bypass would be inherently unstable in operation.

Even if the concept were not flawed from an engineering perspective, we would still oppose it. The only apparent rationale for this proposal is to construct new integrated set-top boxes, plugged into the set-back Decoder Interface, that (because they do not segregate access and features) only cable operators could provide. As we argued in the July 28 and August 10 filings, the position as presented by cable industry proponents clearly would violate both the law and the First Report and Order.

In our August 10 filing, we observed (pp. 1-3):

The July 28 Opposition of the National Cable Television Association ("NCTA") and the July 28 Comments of General Instrument Corporation ("GI") erase any doubt that significant elements of the cable industry are intent on frustrating Section 624A(c)(2)(C) of the Communications Act, as well as pars. 42 and 29 of the Commission's First Report and Order. The NCTA Opposition displays apparent amnesia as to the requirements of Section 624A(c)(2)(C) and the Commission's rationale in pars. 42 and 29, which require the separation of access and control functions in set-back and set-top converter boxes. NCTA now argues that the purpose of these measures was not competitive procurement of converter boxes; rather it was to facilitate competition in competing signal delivery systems!<sup>5/</sup>

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<sup>5/</sup>"The reason for the separation, however, is not to limit cable to descrambling-only functions but to ensure that cable's provision of a descrambler/decoder module does not  
(continued...)

NCTA then observes that if cable operators are allowed to supply modules that mix features and descrambling, they should not be burdened with having to offer **any** descrambler-only modules, because there is "no demonstrated market demand" for them.<sup>5/</sup> This ranks with killing one's father and mother, then applying for mercy as an orphan. Only because cable operators have monopolized and bundled features and access for so long does no market yet exist for access-only or feature-only devices. (Similarly, there was no market for consumer-owned telephones, modems, answering machines, fax machines, etc., until telephone equipment was unbundled from services.) This condition the law, and the Commission, would change.

NCTA does, however, do a service in focusing on the fragile demand for access-only modules in a context where all other products have been bundled. It is indeed questionable whether a vigorous market for feature devices can emerge if cable operators are merely required to offer a few access-only set-back modules to comply with par. 42, and do nothing to comply with par. 29, which addresses the basic set-top context in which access and features are jointly monopolized. For this reason the Coalition argued, in its July 28 Comments and Opposition, that such a measure would be insufficient to effectuate the law and the Commission's policy. We argued that, instead, the Commission should require, once the Act's definition of "cable-ready" becomes effective, that all new set-top converter boxes and set-back units should consist of an operator-supplied access module, plus a feature module that subscribers may obtain **either** from the cable operator or from competitive retail sources.

The NCTA and GI filings make crystal clear their belief and intention that the industry standard for service should remain the set-top converter box. \*\*\*

As we argue in our Comments, the only answer to this dilemma that conforms to the Act's clear requirements is to require that, once the definition of "cable-ready" takes effect, both set-top and set-back boxes consist of access and feature modules with a common interface.

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<sup>5/</sup>(...continued)

interfere with or impede a competing video delivery system or third party distributor from being able to connect to the television interface." NCTA Opposition at 4.

<sup>6/</sup>NCTA Opposition at 4, n. 3.

It is clear to us that in putting the IR "pass through" on the table, elements of the cable industry intend to move the Commission further from the law's requirements, and the Commission's own sound principles. The IR bypass is but a means to this anti-competitive end.

### III. CONCLUSION

The Retailer Coalition is mindful that additional measures are necessary, and have been promised by the Commission, to address the ongoing conversion to digital transmission and security techniques. We applaud the Commission's firm, clear statement in the Report and Order that it would institute an NOI with respect to digital video standards, and the subsequent public indications by Commission engineering staff that a standard security interface would be considered a part of this inquiry. The Retailer Coalition is on record urging these steps in every filing it has made.

We are also encouraged that EIA/CEG has produced a draft standard for a National Renewable Security System that addresses every previous technical objection, by cable interests, to a standard security interface. According to EIA schedules, if the Commission moves expeditiously, implementation of such a system would be possible before the franchise-specific incompatibilities of the analog world, now cited as an obstacle to competition in the market for set-top boxes, are repeated in the digital domain.

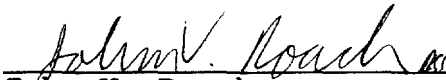



In our view the Commission needs to remove officially sanctioned obstacles to compatibility and competition, both analog and digital, at the set-back, the set-top, and elsewhere. The February 3 EIA/CEG filing is a major step forward. We pledge our cooperation in helping the Commission bring to fruition the goals identified in this filing .


Respectfully submitted,


CONSUMER ELECTRONICS RETAILERS  
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February 8, 1995

**CERTIFICATE OF SERVICE**

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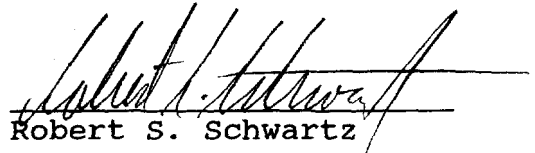
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